

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 STR-04

AGRE-00 EUR-12 FEA-01 /101 W

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R 250838Z JUN 77

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 3640

INFO AMEMBASY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

C O N F I D E N T I A L DAMASCUS 3969

E.O. 11652: GDS

TAGS: ECON, SY

SUBJECT: CABINET DEBATES REACTION TO EMERGING ECONOMIC CRISIS

REFS: (A) DAMASCUS 3699 (B) DAMASCUS 2371

1. MINISTER OF FINANCE SADEQ AYOUBI TOLD ECONOFF IN
CONFIDENCE JUNE 23 THAT CABINET HAS SPENT SEVERAL WEEKS
DEBATING MEASURES TO BE TAKEN TO COMBAT CURRENT ECONOMIC
CRISIS DESCRIBED REFTELS. AYOUBI, A U.S.-TRAINED
ECONOMIST (AU '52) AND OTHER WESTERN-ORIENTED MINISTERS
SUCH AS MINECON IMADI AND MINPLANNING HOURANIYEH HAVE
ARGUED FOR FURTHER LIBERALIZATION. THIS WOULD INVOLVE
CONFIDENCE-BUILDING MEASURES TO MGOICE SYRIAN PRIVATE
SECTOR INTO INVESTMENT, RELAXATION OF IMPORT CONTROLS
AND IN GENERAL OFFICIAL RECOGNITION AND ACCEPTANCE BY
GOVERNMENT OF CRUCIAL ROLE PRIVATE SECTOR MUST PLAY.
OTHER MEASURES WOULD INVOLVE REDUCTION OF SUBSIDIES,
TIGHTENING UP ROLLS OF GOVERNMENT EMPLOYMENT,
RELAXING OTHER RESTRICTIONS ON PRIVATE BUSINESSMEN,
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AND ALSO OFFICIAL RECOGNITION OF SOME
PRESENTLY-TOLERATED ILLEGAL PRACTICES. FOR EXMAPLE,
AYOUBI-PROPOSED LEGISLATION NOT ONLY REPEALING
PRESENT PROHIBITION OF MIDDLEMEN IN GOVERNMENT
CONTRACTS BUT, IN FACT, REQUIRING MIDDLEMEN. THIS
WOULD FORCE FOREIGN COMPANIES TO LIST THEIR AGENTS,
MAKING LATTER LIABLE TO LEGAL ACTION INCASE OF MALFEASANCE

AND AS WELL AS FOR INCOME TAXES ON COMMISSIONS.

2. AYOUBI SAID THAT PRINCIPAL OPPOSITION TO CHANGE HAS COME FROM TWO OR THREE MINISTERS CLOSELY CONNECTED WITH THE PARTY. (SOME BAATHI WUNISTERS OPPOSE THE AGENTS' LAW BECAUSE THEY ARE AGENTS THEMSELVES.) THE MAJORITY OF MINISTERS CONTINUE TO TOE THE PARTY LINE, BUT HAVE TOLD AYOUBI AND HIS ALLIES THAT THEY DO NOT RPT NOT AGREE WITH THE PARTY LINE BUT ARE WAITING FOR THE PRESIDENT TO MAKE HIS VIEWS KNOWN. THE PRIME MINISTER, ACCORDING TO AYOUBI, HAS VACILLATED AND IT NOW ENTIRELY IN THE PRESIDENT'S LAP. UNFORTUNATELY, THE PRESIDENT IS SO OVERBURDENED THAT HE HAS NO TIME TO FOCUS ON THE MATTER. ONCE THE PRESIDENT ACTS, AYOUBI EXPECTS HIM TO MOVE TOWARDS LIBERALIZATION AND ALL BUT THE PARTY DIEHARDS WILL FALL INTO LINE. AYOUBI BELIEVES THE PRESIDENT DOES NOT NEED THE PARTY AND THE PARTY, FRUSTRATED AT LOSING CONTROL OF THE COUNTRY AND THE ECONOMY, MAY HAVE LITTLE OPTION BUT TO GO ALONG. AYOUBI EMPHASIZED, HOWEVER, THAT THE PRESIDENT AND ONLY THE PRESIDENT HAS THE POWER TO MAKE A DECISION AS SERIOUS AS THIS AND THEN ENFORCE IT.

3. AYOUBI LEFT ECONOFF WITH IMPRESSION THAT ISSUES ON LACK OF FOREIGN AID, CORRUPTION, INFLATION, MIS-CONFIDENTIAL

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MANAGED AND UNDERUTILIZED INDUSTRIES ARE ONLY SYMPTOMS OF PROBLEMS CAUSED BY IDOWOGICAL STRAIGHTJACKET ON ECONOMY. IMF AND IBRD REPORTS PLUS IMF TAX TEAM RECOMMENDATIONS ARE ESSENTIALLY ATTEMPTS TO TREAT SYMPTOMS WHEREAS ECONOMY NEEDS RADICAL SURGERY.

4. COMMENT: AYOUBI IS A COMPETENT ECONOMIST AND HIS PRESCRIPTIONS FOR THE COUNTRY'S ILLS APPEAR IRREFUTABLE. HE MAY BE FOOLING HIMSELF, HOWEVER, INTO BELIEVING LIKE MANY ECONOMISTS THAT THE PREFERABLE NATURE OF HIS LOGIC WILL CARRY MORE WEIGHT THAN OTHER POLITICAL CONSIDERATIONS. JUST HOW MUCH ASSAD DOES NOT NEED THE PARTY ISHA MATTER OF CONJECTURE; BAATHI DOCTRINE IS STILL GOSPEL TO MANY IN BUREAUCRACY AND (LESS SO) IN ARMED FORCES. PELLETREAU

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Message Attributes

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